

Message Text

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FM AMEMBASSY ROME

TO SECSTATE WASHDC 5917

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E.O. 11652: N/A

TAGS: ECON, IT

SUBJECT: ITALIAN PHARMACEUTICAL PRICING

REF: A) ROME 8639/ B) STATE 158256

1. EMBASSY NOTES INFORMATION GIVEN DEPARTMENT BY PHARMEACEUTICAL MANUFACTURERES ASSOCIATION CONCERNING PHARMACEUTICAL PRICING SITUATION IN ITALY IS SOMEWHAT OUTDATED AND SUGGEST POINTS THAT FOLLOW BE CONVEYED TO PMA.

2. ASSERTION THAT "NOTHING HAS HAPPENED WITH REGARD TO NEW PRICES" PURSUANT TO LAW 187, MAY 2, IS INACCURATE. AS REPORTED IN REFTEL A, THE GOI HAS A) ADOPTED A NEW METHOD FOR DETERMINING PHARMACEUTICAL PRICES BASED ON CRITERIA APPLIED BY THE INTER-MINISTERIAL PLANNING COMMITTEE (CIPE) AND B) ABOLISHED THE 19 PERCENT DISCOUNT ON SALES OF PHARMACEUTICSL COVERED BY HEALTH INSURANCE PROGRAMS, WHICH MANUFATURERES PREVIOUSLY HAD TO ABSORB.

3. WHILE ELIMINATING THE 19 PERCENT DISCOUNT ON THE ONE HAND, THUS PROVIDING RELIEF TO MANUFACTUERES, THE GOI REDUCED PRICES OF CERTAIN PRODUCTS, THUS CREATING NEW PROBLEMS. PURSUANT TO DECREE LAW 187, GOI ISSUED REGULATION NO. 26, PUBLISHED JUNE 9TH, WHEREBY PUBLIC PRICES OF 1,571 PHARMACEUTICAL SPECIALTIES WERE REDUCED EFFECTIVE JUNE 29, IN ACCORDANCE WITH THE NEW

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PRICING FORMULA. GOI MAINTAINED THAT COMPANIES GAINED FROM ELIMINATION OF 19 PERCENT DISCOUNT AS MUCH AS THEY LOST BY THE REDUCTIONS APPLIED JUNE 29. HOWEVER, AMERICAN SUBSIDIARIES OPERATING IN ITALY ARE CONCERNED WITH THE NEW PRICING REGIME FOR TWO MAIN REASONS: A) THE PRICING AUTHORITIES HAVE PROVIDED AN INADEQUATE ALLOWANCE FOR RESEARCH AND DEVELOPMENT COSTS IN THE NEW PRICING FORMULA, AND B) THE PRICE REDUCTIONS EFFECTIVE JUNE 29 IMPACT

ON CERTAIN COMPANIES (E.G. PFIZER) WHOSE MAJOR PRODUCTS HAPPEN TO BE AFFECTED BY THE LOWERED PRICE CEILINGS.

4. A GROUP OF LOCAL REPRESENTATIVES OF US FIRMS CALLED ON THE AMBASSADOR, WHO AGREED WITH THEIR REQUEST TO TAKE UP THEIR COMPLAINT WITH MINISTER OF INDUSTRY DONAT-CATTIN. THE AMBASSADOR MET WITH DONAT-CATTIN JULY 7, AT WHICH TIME HE CONVEYED TO THE MINISTER THE CONCERNS EXPRESSED BY THE AMRICAN PHARMA CEUTICAL COMPANIES. MINISTER DONAT-CATTIN, AS EXPECTED, DEFENDED THE NEW PRICING METHOD. HOWEVER, THE AMBASSADOR FOLLOWED UP THE MEETING WITH A LETTER TO THE MINISTER SPELLING OUT PROBLEMS RELATING TO THE MANNER IN WHICH THE NEW PRICING FORMULA WAS IMPLEMENTED, THE LACK OF A FAIR ALLOWANCE FOR R&D, AND REQUESTING RELIEF FOR THOSE COMPANIES WHOSE PRODUCTS HAD BEEN HIT HARDEST BY THE PRICE REDUCTIONS OF JUNE 29. SINCE THE PRICING FORMULA IS NON-DISCRIMINATORY AS TO NATIONAL TREATMENT, THE AMBASSADOR'S DEMARCHE WAS MADE ON A BASIS OF FAIR TREATMENT AND REASONABLE RETURN ON FOREIGN INVESTMENT.

5. COMMENT: THE EMBASSY BELIEVES THAT THE FOREGOING ACTIONS ARE FULLY RESPONSIVE TO THE CONCERNS OF THE MPA. LOCAL REPRESENTATIVES OF US FIRMS, WHO ARE IN CLOSE TOUCH WITH THE EMBASSY HAVE EXPRESSED APPRECIATION FOR THE AMBASSADOR'S TAKING UP THIS MATTER AT THE MINISTERIAL LEVEL.GARDNER

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Disposition Approved on Date:
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Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
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